

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
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TO SECSTATE WASHDC 1749
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PASS AGRICULTURE ELECTRONICALLY FOR FAS ADMINISTRATOR
HUGHES
GENEVA FOR USMTN
E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: MEETING BETWEEN ASSISTANT SECRETARY OF AGRICULTURE
DALE HATHAWAY AND EC COMMISSION AGRICULTURAL TRADE POLICY
OFFICIALS, BRUSSELS, SEPTEMBER 8, 1977

1. ASSISTANT SECRETARY OF AGRICULTURE DALE HATHAWAY
MET ON SEPTEMBER 8 WITH EC COMMISSION DIRECTOR GENERAL
FOR AGRICULTURE RABOT, PIZZUTI, JACQUOT, ARNE LARSEN,
CHIEF OF CABINET TO GUNDELACH, AND USEC AGRICULTURAL
ATTACHE MONTEL. FOLLOWING ARE THE HIGHLIGHTS OF THIS
DISCUSSION, WHICH LASTED ONE AND A HALF HOURS.

2. RABOT OPENED BY EXPRESSING HIS SURPRISE OVER REPORTS
HE HAD RECEIVED CONCERNING THE RECENT WHEAT EXPORTER
TALKS IN OTTAWA. HE SAID HE HAD HEARD THE DISCUSSIONS
WERE MORE SPECIFIC, PARTICULARLY IN REGARD TO AN IWA,
THAN HE HAD PREVIOUSLY BEEN LED TO BELIEVE WHEN HE WAS
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IN WASHINGTON. HE HAD EXPECTED ONLY A DISCUSSION ON
INTERNAL POLICIES. HATHAWAY EXPLAINED THAT THE TALKS
INDEED CENTERED ON INTERNAL POLICY MATTERS, BUT THAT THE
EXPORTERS DID DISCUSS ASPECTS OF AN IWA WHICH EXPORTER
COUNTRIES ARE INTERESTED IN. HE SAID THAT THE
UNITED STATES GOVERNMENT HAD ADVANCED IN ITS THINKING
AND HAS ALREADY TAKEN SOME DOMESTIC PROGRAM ACTIONS

THAT WOULD INFLUENCE AN IWA AND THESE WERE DISCUSSED. HATHAWAY EXPLAINED THAT WE HAVE ALREADY PUT PEOPLE TO WORK ON SOME OF THE MORE TECHNICAL ASPECTS OF A WHEAT AGREEMENT. FOR EXAMPLE, HOW DO YOU DEFINE AND DISTINGUISH BETWEEN WORKING STOCKS AND RESERVE STOCKS, IF PRICE IS AN INDICATOR FOR ACQUISITION OR RELEASE OF STOCKS, THEN WHAT PRICE, FOR WHAT PRODUCT, AND AT WHAT POINT IN THE MARKETING CHAIN?

3. HATHAWAY EXPLAINED THAT WITHIN THE U.S. GOVERNMENT WE HAVE NOT YET BEGUN TO DISCUSS NUMBERS, FOR EXAMPLE, SIZE OF STOCKS, TRIGGER POINTS, VARIOUS REFERENCE WHEATS AND THEIR PRICES. WE ARE WORKING ON THESE MATTERS NOW AND WE ARE ALSO TRYING TO DECIDE HOW TO DEAL WITH THE USSR. HE ASKED IF THE EC HAS SPOKEN TO THE RUSSIANS ABOUT THE WHEAT AGREEMENT. RABOT REPLIED "NO." HE SAID, HOWEVER, THAT IN HIS VIEW THE RUSSIANS ARE INTERESTED MORE IN PRICES THAN IN STOCKS. THEY ARE MORE INCLINED TO HAVE AN AGREEMENT ON SOME KIND OF A MINIMUM AND MAXIMUM PRICE AS IS THE EC. THIS DOES NOT SEEM TO POSE A PROBLEM, SAID RABOT, BECAUSE AT LEAST THE EC AND THE UNITED STATES FAVOR A "BROAD PRICE CORRIDOR" AS THE U.S. HAS DESCRIBED IT.

4. HATHAWAY SAID THAT THE NEXT MOST IMPORTANT QUESTION TO BE ADDRESSED IS "WHAT ACTIONS SHOULD BE TAKEN ON THE LIMITED OFFICIAL USE

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DOWNSIDE AFTER STOCKS HAVE BEEN ACCUMULATED." RABOT REPLIED THAT THE MINIMUM PRICE UNDER ALL CONDITIONS MUST BE RESPECTED. IF THE COMMUNITY IS FORCED UNDER THESE CONDITIONS NOT TO SELL ON THE MARKET, IT WILL THEN BE FORCED TO HOLD MORE IN STOCKS. HATHAWAY OBSERVED THAT THIS COULD BECOME A VERY EXPENSIVE PROPOSITION IF THERE WERE TWO OR THREE MORE YEARS LIKE 1977. WHAT WOULD THE EC DO UNDER THESE CONDITIONS? RABOT SAID IN EFFECT THAT THE EC WOULD BE FORCED TO FIND SOME SOLUTION, BUT THAT IT WOULD HAVE TO BE BASED ONLY ON PRICE. HE SAID DENATURING OF SURPLUSES WAS POLITICALLY UNACCEPTABLE. (HE OBVIOUSLY HAD IN MIND THE INCREASED SENSITIVITY OF THE EC PUBLIC TO SURPLUS DISPOSAL MEASURES--E.G., THE REACTION TO SUBSIDIZED BUTTER SALES TO THE USSR.)

5. HATHAWAY COMMENTED THAT ARGENTINA HAS ALREADY CUT BACK AREA PLANTED TO WHEAT AND THE CANADIANS MAY CONSIDER SOMETHING OUTSIDE OF PRICE BECAUSE THE CANADIAN GOVERNMENT DOES NOT WANT TO SEE ANY INCREASE IN STOCKS. HE ASKED IF THERE IS ANY POSSIBILITY THAT THE EC WOULD CONSIDER SOMETHING OTHER THAN STOCKS AND PRICES, FOR EXAMPLE, SOME LIMITATION ON MARKETING. RABOT REPLIED

"NO" BECAUSE EVEN FOR SURPLUS DAIRY PRODUCTS IT WAS DIFFICULT FOR THE EC. HE SAID THAT EVEN IF THE UNITED STATES WERE TO OFFER ITS SET ASIDE PROGRAM AS AN INTERNATIONAL COMMITMENT IN A WHEAT AGREEMENT, THE UNITED STATES WOULD STILL WANT TO BE FREE TO TAKE ITS OWN INTERNAL DECISIONS. HE MUSED THAT IT MAY BE POSSIBLE TO AGREE TO CONSULT EVEN BEFORE TAKING SUCH INTERNAL DECISIONS, BUT HE SAID THAT THIS WOULD BE GOING VERY FAR FOR THE COMMUNITY. HE STRESSED AGAIN THAT DENATURING WOULD NOT BE POSSIBLE NOT ONLY FOR POLITICAL REASONS, BUT ALSO BECAUSE THE NEW GRAIN SUPPORT SYSTEM ALREADY PUSHES SOME WHEAT INTO THE FEED MARKET AND TO DENATURIZE

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WHEAT FOR FEEDING PURPOSES ON TOP OF THAT SYSTEM WOULD UPSET IT.

6. HATHAWAY ASKED WHAT THE EC SEES RE AN AGREEMENT FOR OTHER GRAINS. RABOT SAID THAT BARLEY AND CORN WOULD NEED TO BE TREATED IN A FASHION SIMILAR TO WHEAT. WHEN HATHAWAY ASKED IF THE EC WOULD CLASSIFY FEED WHEAT AS A FEEDGRAIN OR AS WHEAT, RABOT SAID THAT ANY WHEAT GOING INTO FEED WOULD BE TREATED AS FEED. HE SAID AN AGREEMENT COVERING BARLEY AND CORN WOULD HAVE TO CONTAIN PRICE CORRIDOR AND STOCKING PROVISIONS.

7. HATHAWAY REFERRED TO THE GUNDELACH-BERGLAND MEETING IN WASHINGTON AND TO A COMMENT BY GUNDELACH CONCERNING A POSSIBLE MEAT ARRANGEMENT. HE ASKED WHAT THE EC HAD

IN MIND. RABOT REFERRED TO THE PHRASE "DISCIPLINE CONCERTÉ" IN THE EC'S NEGOTIATING MANDATE WHICH WAS INSERTED AT THE INSISTENCE OF THE FRENCH WHO DID NOT DEFINE IT AT THE TIME. IT STILL HAS NOT BEEN DEFINED. PIZZUTI SAID THAT THE EC SEES THIS PHRASE AS MEANING AN AGREEMENT INVOLVING CONSULTATIONS AND SOME SORT OF LIMITED OFFICIAL USE

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A DELIVERED PRICE COMMITMENT BY EXPORTING COUNTRIES. HATHAWAY COMMENTED THAT THE UNITED STATES DOES NOT EXPORT BEEF AND ASKED IF THE EC WAS THINKING OF THE SAME TYPE OF SYSTEM AS OUR VOLUNTARY RESTRAINT PROGRAM. JACQUOT REPLIED "YES." LARSEN ASKED IF THE EC REALLY COULD UNDERTAKE THIS SORT OF IMPORT COMMITMENT OVER A PERIOD OF A YEAR AS THE UNITED STATES DOES. JACQUOT REPLIED "YES" (THOUGH IT WAS NOT AT ALL CLEAR THAT THERE WAS A CONSENSUS AMONG THE EC OFFICIALS THERE). RABOT COMMENTED THAT THEY WERE PROBABLY LEANING TOWARDS SOME FORM OF CONSULTATIONS WHICH WOULD INVOLVE AN EC COMMITMENT TO TAKE X QUANTITY OF BEEF. FOR EXAMPLE, JAPAN, THE UNITED STATES, THE EC, AND THE USSR PROBABLY COULD UNDERTAKE TO CONSULT AT THE BEGINNING OF EACH YEAR REGARDING THEIR MARKETING INTENTIONS. HATHAWAY SAID JUST BIENNIAL OR ANNUAL CONSULTATIONS PROBABLY WOULD NOT BE A PROBLEM FOR THE UNITED STATES.

8. HATHAWAY ASKED IF THERE REALLY WAS VERY MUCH THE UNITED STATES COULD DO TO HELP THE EC WITH ITS DAIRY PROBLEM. RABOT SAID THAT THE EC NEEDS MORE THAN JUST A "DISCIPLINE CONCERTÉ" FOR BUTTER AND POWDERED SKIM MILK. HATHAWAY COMMENTED THAT THE EC AND THE UNITED STATES BOTH SUPPORTED THE DAIRY PROGRAM IN INDIA AND THAT THIS WILL HELP TO ABSORB SOME OF THE SURPLUS POWDERED SKIM MILK ON THE MARKET. RABOT AGREED, BUT STRESSED THAT AN IMPORTANT MATTER FOR THE EC IS THE CHEESE PROBLEM. RABOT SAID THE EC PROBABLY COULD ACCEPT SOMETHING LIKE PERMITTING THE EC TO CONTINUE TO APPLY EXPORT SUBSIDIES BUT STILL RESPECT U.S. INTERNAL MARKET PRICES FOR CHEESES. HATHAWAY COMMENTED THAT IF COMPETITIVE CHEESE COMES IN BELOW OUR MARKET PRICES, THEN THE U.S. GOVERNMENT ENDS UP BUYING SURPLUS CHEESES AND WE COULD NOT LIVE WITH THIS.

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9. RABOT REFERRED TO THE 6 MILLION TON SPECIAL RESERVE FOR WHEAT AND ASKED IF WE KNOW HOW WE WILL MANAGE THIS

RESERVE IN THE CONTEXT OF AN INTERNATIONAL EMERGENCY
RESERVE. HATHAWAY REPLIED THAT THE SPECIAL RESERVE
WILL BE MANAGED WITH RELEASE RULES WHICH WOULD BE
ADJUSTED TO INTERNATIONAL RELEASE RULES, AND WITH A
GUARANTEE THAT THE UNITED STATES CAN MEET ITS FOOD AID
COMMITMENT ANY YEAR. BUT WE ALSO WOULD HAVE TO PROVIDE
ASSURANCES THAT OUR FARMER-OWNED RESERVES WOULD ALSO BE
RELEASABLE AT THE UPPER PRICE LIMIT.

10. DEPARTMENT MAY WISH TO MAKE DISTRIBUTION TO ALL EC
CAPITALS AND USOECD PARIS. HINTON

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Message Attributes

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